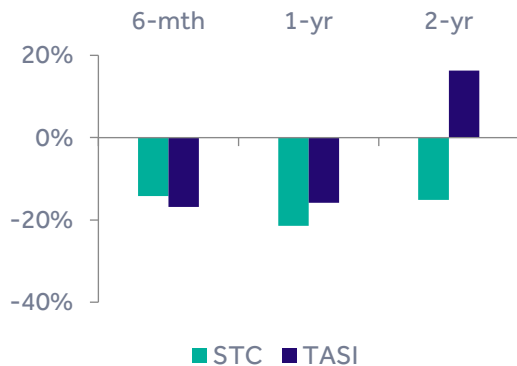


Market Data	
52-week high/low	SAR 48.32/35.05
Market Cap	SAR 181,250 mln
Shares Outstanding	5,000 mln
Free-float	36.00%
12-month ADTV	5,549,946
Bloomberg Code	STC AB



Healthy Top-line Growth

Upside to Target Price	37.9%
Expected Dividend Yield	5.5%
Expected Total Return	43.4%

February 20, 2023

Rating	Buy
Last Price	SAR 36.25
12-mth target	SAR 50.00

STC	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales*	17,034	16,087	6%	16,468	3%	16,966
Gross Profit	9,028	8,516	6%	10,040	(10%)	9,162
Gross Margins	54%	53%		61%		54%
Operating Profit	2,968	3,204	(7%)	4,576	(35%)	3,616
Net Profit	2,758	2,614	6%	3,541	(22%)	2,804

(All figures are in SAR mln)

*Sales for FY2021 and 9M2022 are restated.

- For FY 2022, STC reported revenues of SAR 67.4 bln, +7% higher compared with 2021, driven by growth in Enterprise business unit (+9% Y/Y), the Carrier & Wholesale unit (+6% Y/Y) and the Commercial unit (+7% Y/Y). For 4Q, STC achieved revenues of SAR 17.0 bln, (+6% Y/Y and +3% Q/Q), in-line with our estimates.
- For the quarter, Gross Profit came in at SAR 9.0 bln, up +6% Y/Y driven by the growth in the topline, but down -10% Q/Q due to the reversal of contingent liability provisions to the tune of SAR 1,079 mln last quarter.
- Operating profit declined by -7% Y/Y and -35% Q/Q to SAR 2,968 mln. This decline is a result of an increase in general & administration expenses (+13% Y/Y, +25% Q/Q) and selling & marketing expenses (+50% Y/Y, +13% Q/Q), despite the healthy gross profit.
- STC reported a bottom-line of SAR 2.8 bln (up +6% Y/Y but down -22% Q/Q), matching our estimates. The decline Q/Q is due to the reversal of provisions; excluding that, the net income increased by +12% Q/Q. STC apparently benefited from the high interest rates as the Company was able to offset the increase in the finance cost of SAR 78 mln for the year with higher finance income of SAR 225 mln.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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